BEEF USA

NATIONAL CATTLEMEN'S BEEF ASSOCIATION

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Country of Origin Labeling Program
Agricultural Marketing Service
USDA
STOP 0249
Room 2092-S
1400 Independence Avenue SW
Washington, DC 20250

RE: Notice of Request for Emergency Approval of New Information Collection: Agricultural Marketing Service, USDA (Doc. No. LS-02-16)

The National Cattlemen's Beef Association (NCBA) appreciates the opportunity to comment on USDA's November 21, 2002 Federal Register publication on Interim Voluntary Country of Origin Labeling. In this notice, USDA estimates that the cost of maintaining records at $1.967 billion—assuming that all of the entities affected by mandatory country of origin labeling would participate in the voluntary program. NCBA understands that this estimate was made to fulfill USDA's legal obligation under the Paperwork Reduction Act, and as such, is an estimate of the paperwork burden on those impacted by the law, and is not a cost/benefit analysis of Country of Origin Labeling.

Since the publication of this estimate, much debate has occurred among producers about the accuracy and validity of USDA's estimate. Regardless of the accuracy of any estimate on the cost of Country of Origin Labeling, no one has suggested country of origin labeling will be without cost. The fact that costs, perhaps significant, could occur has been suggested in studies by the General Accounting Office (GAO) and USDA.

The January 2000 GAO study "Beef and Lamb: Implications of Country of Origin" concluded that:

> "Although a country-of-origin labeling law would create compliance costs for the beef and lamb industries, it is not clear how the burden of these costs would be distributed. U.S. packers, processors, distributors, and retailers would, to the extent possible, pass any compliance costs back to their suppliers or on to consumers. These industries might attempt to pass their costs to U.S. producers and foreign exporters in the form of lower prices paid for livestock and imported meat; they might also attempt to pass their costs to consumers in the form of higher prices

for meat sold at the retail level. However, they would be limited in their ability to do so to the extent that consumers reduce their meat purchases in response to higher mean prices. For example, some consumers may respond to higher prices by purchasing alternatives to beef and lamb, such as chicken. The success of such attempts would depend on the relative strengths of the various segments of the meat industry. Packers, processors, distributors, and retailers may also try to reduce their costs by deciding to handle only domestic livestock and meat products. Such a move could possibly lead to an increase in prices for domestic meat products, if the supply of meat were not sufficient to meet demand; it could also result in a reduction in choices for consumers. To the extent that they are unable to shift the costs for compliance, packers, processors, distributors, and retailers will have to accept a reduction in their profit margins."

The Food Safety Inspection Service also conducted a study released in January 2000. The study, "Mandatory Country of Origin Labeling of Imported Fresh Muscle Cuts of Beef and Lamb" concluded:

> "In summary, country of origin labeling is certain to impose at least some costs on industry which will either be passed back to producers in the form of lower prices or forward to consumers via higher prices. There would also be compliance and enforcement costs to the government. The extent of these costs would vary depending on the nature of the regulatory scheme and the amount of enforcement and compliance action."

NCBA and many beef producers are concerned about the cost associated with collecting, maintaining, tracking, auditing, and verifying information—especially on livestock that are 100 percent U.S. There are undoubtedly more effective ways to manage this information than what USDA has proposed. However, NCBA is concerned that USDA's options may be limited given the statutory requirement in Section 10816 of Farm Security and Rural Investment Act of 2002 that "[a]ny person engaged in the business of supplying a covered commodity to a retailer shall provide information to the retailer indicating the country of origin of the covered commodity." Does USDA have additional options for verifying country of origin that are less onerous than proposed, but still within the statutory requirement?

Cost estimates of country of origin labeling will remain a part of the discussion until such time as the real costs emerge during implementation. Until then, estimates will remain preliminary in nature. Nonetheless, there is increasing concern among beef producers that the costs involved in implementing this law will be significant. NCBA intends to work with USDA, policy makers and beef producers to outline steps and actions that can be taken to mitigate the costs and increase the benefits so that a labeling system emerges that meets the needs of consumers with the demands of producers.

Sincerely,

Eric Davis

Eric Davis
NCBA President